



PRESS RELEASE

Government must not miss 'last opportunity to rescue pensions structure'

The Turner Report represents the last opportunity to rescue the nation's occupational pensions structure. The Government and the nation cannot afford to miss this opportunity.

A healthy occupational pensions system is critical for the nation's industry, economy and society.

This comment on the urgent need for action comes from the UK's influential pensions consultancy body, the Society of Pension Consultants, whose member companies employ some 14,000 consultants working on the 'front line' of the occupational pensions sector.

In the wake of the Turner Report, SPC President Robert Birmingham said today: "The Turner report contains highly important recommendations. It deserves thorough study and consideration, not off-the-cuff comment before we've even had the chance to read it properly.

"The fact remains that the commitment of employers is critical to a healthy occupational pensions system. We are not convinced that either the Government or the public recognises this. Despite its stated aim of transferring most of the burden of pensions from the public to the private sector, the Government appears lukewarm over encouraging employers to set up good schemes. Without this encouragement, the future of the entire occupational pensions sector, which is key to the success of the UK's pension system in years to come, remains in jeopardy."

Mr. Birmingham cites as evidence of the Government's failure to encourage employers to run good schemes:-

- * Removal of Advance Corporation Tax relief
- * Unrealistic contracting out rates
- * Full burden of risk falling on employers under the new regimes being put in place by the Pension Protection Fund and the Pensions Regulator
- * Showing little concern about the virtual disappearance of DB schemes.

"If the occupational pensions system is to be restored to full health, Government must provide employers with reassurance that any pensions promise offered for the future will

never again be transformed through legislation into a commitment that companies can't afford," continued the SPC President.

"Never mind discussing incentives for employers to offer occupational pensions. The important thing is to start removing disincentives and give the occupational pensions sector a stable environment, backed up by whole-hearted and clear support of Government."

The SPC is doubtful that the so-called panaceas of compulsion or automatic enrolment will have the necessary effect.

"We really don't believe that compulsion will result in higher savings. Experience outside the UK tells us that minimum contributions will become the norm and incentives will be jeopardised. The much-quoted Australian model is certainly not an ideal to which we should aspire. We already pay more for NI in the UK than Australians pay through compulsion, and the social security system in Australia is means tested.

"SPC is not opposed to auto enrolment with opt-out, but we do not regard it in itself as the solution to anticipated pension shortfalls in future. What is needed is a sustained programme of communication and interaction between employers and employees so that the benefits of well run work-based pension arrangements are clear to all. And, if auto enrolment is to be part of the future pensions landscape, employers need reassurance that it is not the thin edge of the wedge of compulsion and escalating costs.

"On the age of retirement, SPC accepts the basic principle that this must rise; with increasing longevity people can and should work longer. The details, including the age at which the State pension is paid, removing tax penalties for those wishing to continue full or part-time work beyond official retirement age, and changing the culture of retirement to avoid abrupt cut-off, should be the subject of wide national discussion."

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NOTES FOR EDITORS

SPC is the representative body for the providers of the advice and services needed to establish and operate occupational and personal pension schemes and related benefits. Its Members include accounting firms, solicitors, life offices, investment houses,

investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of the advice and services.

The vast majority of the 500 largest pension funds use the services of one or more of its Members. Many thousands of smaller funds and individuals also do so. SPC's growing membership collectively employs some 14,000 staff providing pension related advice and services.